



## Green Finance and Sustainable Development

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### ABSTRACT

In a society one should think about himself and the environment. In the present context, the development of green infrastructure is highly essential for the sustainable society in the long run. As the carbon emissions from pollution bring hazards to the society, moving to a low-carbon society or a green economy is the need of the hour and hence green finance is becoming a latest trend. At this juncture, it is important to discuss the role of banks in India as they have started variety of green banking practices viz., online green channel counters, electronic statement, green loans, mobile banking, etc. This paper tries to explore on the need of green banking for sustainable development.

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### INTRODUCTION

As the world is developing at a quick speed, the developmental activities are bringing both advantages as well as disadvantages. It is needless to say that a man should think about his well being as well as the society the environment. At the same time, the development of green infrastructure is highly essential for the sustainable society in the long run. As the carbon emissions arising bring hazards to the society, moving to a low-carbon society or a green economy is need of the hour and hence green finance is becoming a latest trend. At this juncture, it is important to discuss the role of banks in India as they have started variety of green banking practices viz., online green channel counters, electronic statement, green loans, mobile banking, etc. At the same time, the green finance initiatives are on rise day in and day out. On the other hand, sustainable finance is a new development in the area of green finance and considers various risk and issues related to environment and in turn aims at sustainable economic development. To put in simple terms, green finance is a credit that promotes environmental promotional activities like procurement of eco-friendly goods or services or on the hand taking up the construction process of green infrastructure

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### REVIEW OF LITERATURE

**Rohit Agrawal et al<sup>1</sup>** in a research paper concluded that the current world of commerce, Green Finance policies and Green Innovations present a relatively new approach to environmental governance. Regulations impose hefty financial fines and investment restrictions when investment leads to pollution. By penalizing polluting industries and motivating clean industries via green investment and financing, economies can achieve environmental protection. This helps nations to break the old development pattern and encourages transformations in business models. The impact of environmental regulations will differ from region to region and their degree of impact will vary throughout these regions.

**C.P. Abdul Gafoor et al<sup>2</sup>** in a research on green finance noted that climate change and subsequent adverse effects on the environment demand financing more environmentally sustainable projects. Since then, the keyword green finance started finding a place in finance and economic literature. Though the keyword green finance started appearing in academic literature, the scholarly output has seen exponential growth from 2022 onwards. Among the countries, China dominates green finance research in independent and internationally collaborated articles. Green finance is an interdisciplinary field combining finance and environmental sciences, and most articles are published in environmental and sustainability journals.

**Mohd Saleem and Matloob Ullah Khan<sup>3</sup>** in a research on found that Green finance is a new-fangled financial form intended for environment fortification and the achievement of sustainable consumption of natural resources. Green finance will guide the movement of funds and accomplish in effect management objectives of ecological risk mitigation, the finest distribution of environmental assets, and community resources if the market mechanism of green finance is balanced. Green financing and its products can be encouraged from side to side effective alterations in key governing frameworks, harmonization of public financial motivations. Increasing green financing from different sectors is an important aspect and it must be promoted.

**Sushma B S<sup>4</sup>** in a research on green finance concluded that Sustainable development is the need of the day, green financing being an effective tool of sustainability is gaining more importance in the present scenario. Investors are thinking beyond risk and returns, they are becoming more and more responsible towards society. Raising awareness about the need of protecting nature and increased funding of green projects has opened a wide variety of

opportunities in the area of green finance. Policymakers, researchers, environmentalists, government, investors, and financial institutions have to work together to clearly define the concept of green finance. Thus, it can be concluded that green finance if properly managed will work as an effective tool for sustainable development.

**Keerthi B.S<sup>5</sup>** in a paper on green finance commented that India's energy supply is not able to keep pace with the high economic growth rates in the country. This results in persistent power shortages and frequent power cuts. In order to minimize import dependency in the conventional energy sector, the Indian Government is increasingly focusing on strategies for enhancing energy efficiency and utilizing renewable sources. The main emphasis here is on MSMEs, because of their great importance for the Indian economy and in light of their huge potential for increases in efficiency. Energy efficiency in particular is often neglected by MSMEs due to limited access to technical know-how and appropriate financial products.

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## OBJECTIVES

Green finance is the need of the hour as it leads to sustainable development. However the following are the objectives of the paper:

1. To study the need of the green finance
2. To examine the role of green finance in sustainable development

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## METHODOLOGY

This paper is descriptive in nature and attempts to describe the role of green finance in leading towards a sustainable society. This paper is purely based on the secondary data. The data related to green finance and its utility has been collected from various published sources.

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## NEED FOR GREEN FINANCE

In the present scenario, the business houses need to think about the environment and shall strive for bringing down the pollution for a sustainable society. The role of green finance is highly essential at this stage. In simple terms, green finance can be termed as a loan or an investment that promote environmental friendly activities and in turn for a sustainable development. Few examples of such activities include encouraging eco-friendly goods and services or on the other hand construction of green infrastructure. In addition to this some more examples could be the investments in funding the solar power projects, wind farms, organic farming, green infrastructure, etc. now a days many financial institutions in India are offering green finance. The role of green finance is very instrumental in developing a sustainable society. The need for green finance can be understood in many ways. As green finance promotes the sustainable goals for achieving the green growth, many financial institutions are coming forward for financing many ideas for more lending in eco-friendly projects.

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## ROLE OF GREEN FINANCE IN SUSTAINABLE DEVELOPMENT

The term sustainable development may be understood as the process of development that addresses the needs of the present society and at the same time it doesn't compromise the situations of the next generations to fulfill their own needs. On the other hand it enables the development process without compromising the future needs. At this juncture, the role of green finance cannot be ignored. As green finance enables sustainable development and in turn extends environmental advantages to everybody. It provides access to environmentally-friendly goods and services for individuals and enterprises, equalizing the transition to a low-carbon society, resulting in more socially inclusive growth.

In the recent past, the role of sustainable finance has been increasingly preferred as it refers to different financial tools which help and serve to achieve environmental and social goals, green finance is entirely concerned with environmental objectives. There are various alternatives that contribute to sustainable development like providing wind energy, solar energy, eco friendly construction, conservative water utilization and reuse and development of forests and so on. In addition to this, many different new methods of providing finance to green projects have emerged. Some examples of green finance here include green bonds, green banks, village funds, etc.

Therefore, it is important to mention that some of the financing ideas have some potential to support clean energy development. The ideas of providing the green bonds signify that they can provide for long term, rationally charged capital to contribute for sustainable development.

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## CONCLUSION

Green finance is a loan that is offered to support the activities that are environment friendly. Hence green finance may help people and business houses in investing their money for the business development as well as for protecting the environment. The green finance can be considered as a boon to the society and environment as it contributes for development process without compromising the needs of future generations. The role of green finance becomes important as it aims at sustainable development by financing the ideas that have some potential in environmental advantages to everybody. By providing green finance, the financial institutions are enabling sustainable development and in turn extending the benefits to the stakeholders and thereby equalizing the transition to a low-carbon society.

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